

Message Text

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12

ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-05 L-02

NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-01 TRSE-00 XMB-02

OPIC-03 CIEP-01 LAB-01 SIL-01 OMB-01 AGR-05 /080 W

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TO SECSTATE WASHDC 8505

INFO AMEMBASSY ISLAMABAD

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SUBJECT: ADDITIONAL GOP EFFORTS TO IMPROVE INVESTMENT CLIMATE

REF: A) KARACHI A-123 NOV 22, 1974 B) ISLAMABAD 10923 EAL

SUMMARY: GOP MAKING FURTHER EFFORTS TO IMPROVE CONDITIONS AND CLIMATE FOR PRIVATE SECTOR INVESTMENT. MAIN BURDEN BEING CARRIED BY PM'S SPECIAL ASSISTANT FOR ECONOMIC AFFAIRS FEROZE QAISER, WHO HAS FORMED SPECIAL COMMITTEE WITH TASK OF EVOLVING RECOMMENDATIONS FOR NEW INDUSTRIAL POLICY. BUSINESS COMMUNITY SEE THIS ACTIVITY AS A FAVORABLE SIGN BUT AWAIT RESULTS AND STRESS TIME NEEDED FOR TURN-AROUND. END SUMMARY.

1. GENERALLY FAVORABLE IMPRESSION IN BUSINESS COMMUNITY APPEARS TO HAVE BEEN CREATED BY MEETING OF PM'S SPECIAL ASSISTANT FOR ECONOMIC AFFAIRS FEROZE QAISER WITH OVERSEAS INVESTORS CHAMBER ON NOV 15 (SEE REF A). AT THAT TIME QAISER PROMISED CONTINUING ATTENTION TO PROBLEMS OF BUSINESS COMMUNITY AND IMPROVED SYSTEM FOR SCRUTINY AND APPROVAL INVESTMENT PROJECTS.

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2. DURING LAST FEW DAYS CONGEN HAS RECEIVED FURTHER INDICATION OF

SERIOUS INTENTIONS GOP TO FOLLOW THROUGH IN EFFORTS TO IMPROVE CLIMATE AND CONDITIONS FOR NEW INDUSTRIAL INVEUWMENT BOTH FOREIGN AND DOMESTIC. ACCORDING RELIABLE INFORMATION QAISER HAS ESTABLISHED SPECIAL COMMITTEE TO ZRAFT A NEW INDUSTRIAL POLICY AND INDUSTRIAL INVESTMENT SCHEDULE IN WHICH PRIVATE SECTOR WOULD BE GIVEN A LARGER ROLE. WE UNDERSTAND AT LEAST TWO LEADING INDUSTRIALISTS FROM "22 FAMILIES", INCLUDING FORMER PIA MANAGING DIRECTOR RAFIQUE SAIGOL, AND HANIF ADAMJEE, AS WELL AS LEADING KARACHI CORPORATION LAWYER, CAMPBELL GALLAGHER, HAVE BEEN ASKED TO SIT IN AS ADVISORS TO COMMITTEE, WHICH IS TO HOLD A SERIES OF MEETINGS AND HAS BEEN INSTRUCTED TO COME UP WITH DRAFT PROPOSALS BY END DECEMBER. AMONG OTHER QUESTIONS WHICH QAISER COMMITTEE WILL EXAMINE WILL BE THAT OF AN ENLARGED ROLE FOR THE PRIVATE SECTOR INTO TEN MAJOR INDUSTRIAL SECTORS WHICH HAD BEEN RESERVED FOR PUBLIC SECTOR DEVELOPMENT THROUGH ECONOMIC REFORMS ORDER OF JAN 1972. THESE TEN SECTORS INCLUDED IRON AND STEEL, BASIC METALS, HEAVY ENGINEERING, HEAVY ELECTRICAL EQUIPMENT, MOTOR VEHICLE AND TRACTOR ASSEMBLY, BASIC CHEMICALS, PETROLEUM REFINING AND PETRO-CHEMICALS, CEMENT, AND PUBLIC UTILITIES. ALTHOUGH GOP IN PAST HAS IMPLIED, NOTABLY THROUGH PERMISSION GRANTED TO DAWOOD GROUP TO NEGOTIATE WITH AGRICO ON ESTABLISHMENT NEW FERTILIZER PLANT THAT RESERVATION OF TEN SECTORS FOR PUBLIC ENTERPRISE NOT ENTIRELY RIGID, MODIFICATION ECONOMIC REFORMS ORDER TO ADMIT PRIVATE INVESTMENT INTO COMPETITION WITH PUBLIC SECTOR INDUSTRY WOULD CONSTITUTE BASIC CHANGE IN INDUSTRIAL POLICY AS DELINEATED AND ENFORCED SINCE INCEPTION BHUTTO REGIME.

3. CONGEN ALSO CONFIDENTIALLY INFORMED BY SECRETARY GENERAL T. A. KHAN OF FEDERATION PAKISTAN CHAMBERS OF COMMERCE AND INDUSTRY (FPCCI) THAT GOP PLANNING REVIVE IN NEAR FUTURE INDUSTRIAL ADVISORY COUNCIL (IAC) WHICH HAS REMAINED DORMANT SINCE LAST MEETING IN AUGUST 1971 DURING YAHYA KHAN REGIME. IAC, ACCORDING SECY GEN KHAN, WAZSPRESTIGIOUS ORGANIZATION CHAIRED BY MINISTER PRODUCTION AND INDUSTRY WHICH FORMED CONTINUING AND EFFECTIVE LINK BETWEEN GOP AND INDUSTRY. IAC, IF RECONSTITUTED, WOULD BE CHAIRED BY PRESENT MIN PRODUCTION AND INDUSTRY RAFI RAZA AND WOULD INCLUDE PRESIDENT AND SELECTED MEMBERS FPCCI.

4. ANNUAL SPEECH OF CHAIRMAN AKHTAR HUSAIN OF INVESTMENT CORPORATION OF PAKISTAN IN WHICH HE PROPOSED ESTABLISHMENT NATION-LIMITED OFFICIAL USE

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AL INVESTMENT FACILITIES BOARD HAS ALSO DRAWN FAVORABLE COMMENT HERE. PROPOSALS CONTAINED HUSAIN'S SPEECH FOR STREAMLINING INVESTMENT APPROVAL PROCESS PROBABLY INSPIRED BY LINES ALONG WHICH GOP INDUSTRIAL POLICY NOW SEEMS TO BE DEVELOPING AND WHICH ARE REFLECTED IN PRESENT EFFORTS OF QAISER COMMITTEE.

5. COMMENT: WHILE GOP SEEMS BELATEDLY CONVINCED OF IMPORTANCE PRIVATE SECTOR IN EFFECTING TURN-AROUND IN DISMAL INDUSTRIAL

INVESTMENT PICTURE (ONLY TWO NEW INDUSTRIAL CONCERNS ESTABLISHED
IN 1974 ACCORDING FPCCI COMPARED WITH TWELVE IN 1973), CONGEN
WISHES RECONFIRM OPINION EXPRESSED ISLAMABAD'S REF B THAT RE-
ESTABLISHMENT OF CONFIDENCE OF LOCAL ENTREPRENEURS AND FIRING UP
OF CONCRETE INVESTMENT PLANS AS RESULT THEREOF WILL BE A LENGTHY
PROCESS.
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